

BILL NO. 15-34

1st Reading: _____

2nd Reading: _____

**CITY OF NEWARK
DELAWARE**

ORDINANCE NO. 15-__

An Ordinance Amending Chapter 25, Sewers, Code of the
City of Newark, Delaware, By Increasing the City Sewer Rate
Effective January 1, 2016

THE COUNCIL OF THE CITY OF NEWARK HEREBY ORDAINS:

That Chapter 25, Sewers, Article III, Sewer Fees and Sewer Service Charges,
Division 2, Sewer Service Charges, Code of the City of Newark, Delaware, be hereby
amended in the following respects:

AMENDMENT 1. Amend Section 25-17, Sewer service charge established, by deleting
the stricken text and adding the underscored text as follows to
subsection (e):

“(e) Sewer unit charges for collection and transmission (the city
flow rate, or q1) shall be ~~\$3.1482~~ \$3.7746 per 1,000 gallons.
Sewer unit charges for treatment (the county flow rate, or q2)
per 1,000 gallons flow rate, per pounds of BOD, and per
pounds of SS shall be set pursuant to subsection (f)
hereunder, and the current rates for such charges shall be
ascertained by contacting the Newark Finance Department or
by logging onto the city website at www.cityofnewarkde.us.”

MOTION for Acceptance as First Reading on _____, 2015.

by Council Member _____.

Second Reading and Final Passage on _____, 2015.

VOTE: __ to __.

Mayor

Attest:

City Secretary

Approved as to Legality & Form:

City Solicitor

CITY OF NEWARK
DELAWARE

November 16, 2015

TO: Mayor and City Council

VIA: Carol S. Houck, City Manager *CH*

FROM: Louis C. Vitola, Finance Director *LV*

SUBJECT: Sewer Rate Increase (City Flow Rate Component)

The City's sewer rates are made up of four components, three of which are a pass through of New Castle County (NCCo) rates for treatment, the last of which is the city flow rate. The city flow rate is intended to recover the costs of our internal sewer operations, which may be classified as collection and distribution activities. The table below identifies all four components along with the current NCCo rates:

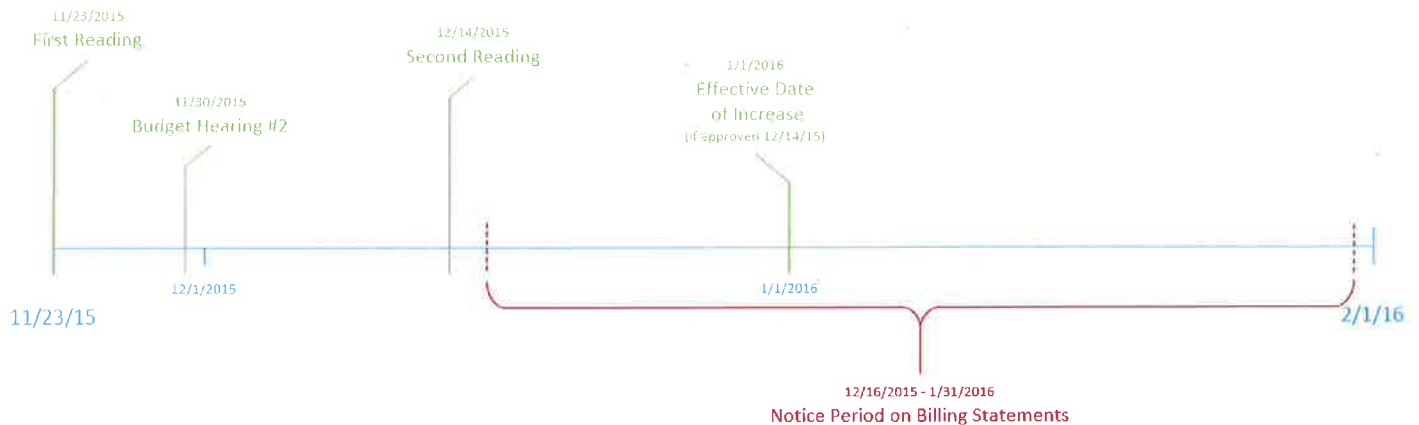
| Rate type | Current Rate | Proposed Rate | Notes |
|----------------------------|--------------|---------------|----------------------------|
| Flow – NCCo | \$3.0561 | No change | Per 1,000 gal; set by NCCo |
| Flow – City | \$3.1482 | \$3.7746 | Per 1,000 gal |
| BOD | \$0.3722 | No change | Per pound; set by NCCo |
| SS | \$0.5054 | No change | Per pound; set by NCCo |
| Blended Total ¹ | \$7.4497 | \$8.0761 | Blended rate per 1,000 gal |

City policies target a 20% margin in the utility funds in an effort to fund infrastructure improvements, build reserves, satisfy debt service requirements (if any) and generate transfers to the General Fund, in addition to covering annual operating expenses. The 2016 sewer budget proposal calls for increased operations and maintenance initiatives intended to proactively address preventative maintenance, inspection, line jetting, and other activities that will improve the functionality of the City's sewer infrastructure. The City's component of the flow rate most recently changed in 2013; prior to that, the most recent increase was authorized in 2010. An increase of \$0.6264 per 1,000 gallons, resulting in a blended increase of about 8.4%, is recommended to restore the sewer margin to 20%.

In order to realize the entirety of the margin increase contemplated in the 2016 budget proposal, the first reading of the ordinance authorizing the rate increase must occur

¹ The blended total cannot be derived by adding the four rates. The toxicity measures BOD (biological oxygen demand) and SS (suspended solids) are expressed in dollars per pound, and the poundage of each is estimated at 1.251lb per 1,000 gallons and 1.5429 lb per 1,000 gallons, respectively, for residential customers. The blended total reflects residential sewer rates only; commercial rates vary slightly due to the varied strength of toxicity by rate class.

on November 23, 2015. Any delay of the first or second reading of the ordinance will negatively impact the funding available for sewer operations in 2016, as well as the transfer into the general fund required to support services customarily supported by property tax receipts. Pending Council approval of the utility rate increase proposals, the notice period for the sewer rate increase will run parallel with the notice period for



the water rate increase. The timeline below reports key dates in the rate increase process.

The increase will result in a bill that is \$3.18 higher per month for a residential household consuming 167 gallons of water per day. Even with the implementation of this recommended sewer rate increase, the recommended water rate increase, the recommended 3.0% property tax increase, and the possible introduction of a monthly stormwater fee, the comprehensive cost of living in Newark will remain competitive with communities in northern New Castle County. The analysis linked below shows estimated costs of water, sewer, electric and stormwater utilities, trash service, and property taxes on several comparable jurisdictions in northern New Castle County, as well as the City of Dover. The analysis was also provided in hard copy attached to the November 23, 2015 agenda item related to the first reading of the water rate increase recommendation outlined in Bill 15-33 and is not being reproduced here in an effort to save paper and ink. <http://cityofnewarkde.us/DocumentCenter/View/6188>

Water conservation tips can be found on the Environmental Protection Agency (EPA) website: <http://www2.epa.gov/p2/pollution-prevention-tips-water-conservation>

Thank you for your consideration.

attachments